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AUTHOR	Watts, Tony
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ABSTRACT

A total of 29 representatives of government departments, financial organizations, career guidance organizations, and researchers and career and financial guidance, practitioners from across the United Kingdom discussed the similarities and differences between the fields of career guidance and financial guidance, and explored whether closer links between the two fields might be developed. The discussions focused on the following three areas: career/financial guidance needs of young people and adults; career/financial guidance needs of individuals with resources at their disposal and individuals with very limited resources; and long-term strategies and immediate actions. The discussions resulted in 18 recommendations pertaining to the following areas: awareness raising; joint delivery; joint/reciprocal training and quality standards; policy issues; and research. Among those recommendations were the following: (1) the importance of developing and fostering personal capability (including career and financial management) should be promoted among the public at large; (2) at both the school and postschool levels, more attention should be paid to the interface between career education and personal finance education; and (3) relevant government departments should initiate enquiry to identify ways of addressing the relationship between the career and financial guidance needs of low- and middle-income groups and identify ways employers, unions, and community services can meet those needs. (MN)

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The Relationship between Career Guidance and Financial Guidance

Report on a NICEC/CRAC policy consultation held on 21-22 April 1999 at Madingley Hall, Cambridge

in collaboration with Finance & Education Services Ltd

and supported by the Lifelong Learning Foundation and the NatWest Group Charitable Trust

Finance & Education Services Ltd

The Lifelong Learning Foundation

NatWest Group

NICEC

The National Institute for Careers Education and Counselling is a network organisation sponsored by CRAC. It conducts applied research and development work related to guidance in educational institutions and in work and community settings. Its aim is to develop theory, inform policy and enhance practice through staff development, organisation development, curriculum development, consultancy and research.

CRAC

The Careers Research and Advisory Centre is a registered educational charity and independent development agency founded in 1964. Its education and training programmes, publications and sponsored projects provide links between the worlds of education and employment.

Sheraton House, Castle Park
Cambridge CB3 0AX
Tel: 01223 460277 Fax: 01223 311708
E-mail: CRAC@crac.org.uk

CE 029 740

Individuals are increasingly being required to take responsibility for managing both their own career development (including lifelong learning) and their financial security (including investment in insurance, pensions, etc.). Many individuals need expert help in exercising this responsibility. The career guidance and financial guidance services which provide this help have hitherto been largely separate from one another. There are however strong similarities and common ground between the two fields. Moreover, as individuals are increasingly expected to manage the financing of their lifelong learning, there could be growing overlap between them.

The aim of the consultation (held as part of a joint FEdS/NICEC project) was to explore the similarities and differences between the fields of career guidance and financial guidance, and whether closer links between the two fields might fruitfully be developed. It sought to pay attention to:

- the career/financial guidance needs both of young people and of adults;
- the career/financial guidance needs both of those with resources at their disposal and of those with very limited resources;
- both long-term strategy and immediate action.

The 29 participants included representatives of government departments (Department for Education and Employment, Department of Trade and Industry, Training and Employment Agency for Northern Ireland), of national bodies (Qualifications and Curriculum Authority, Scottish Consultative Council on the Curriculum), of financial organisations (Association of British Insurers, Chartered Institute of Bankers in Scotland, Financial Services Authority, Institute of Financial Planning), and of career guidance organisations (National Advisory Council for Careers and Educational Guidance), plus researchers and career guidance and financial guidance practitioners. The consultation was chaired by Brian Stevens of Finance & Education Services Ltd.

This report records the main themes of the discussions and the recommendations made. It is written by Tony Watts, Director of NICEC. It does not necessarily represent the views of the consultation sponsors, or of any particular individual at the event.

Rationale

- Changes in the world of work mean that there is a growing need for individuals to manage their own career development: their lifelong progression in learning and in work.
- Changes in welfare structures mean that there is a growing need for individuals to manage their own finances, including insurance, pensions, etc.
- Changes in lifelong learning mean that, after compulsory education, there is a growing need for individuals to manage the financing of their learning, so sustaining their employability.

These changes affect everyone. They require the development of *personal capability*.

The *tasks* involved in managing one's career and managing one's finances have strong similarities. Both involve:

- life-style choices;
- making changes;
- coping with crises;
- managing key life-events;
- risk assessment;
- long-term planning.

Many of the *skills* involved are similar too. They include:

- self-assessment skills;
- decision-making skills;
- research skills;
- negotiation skills;
- enterprise skills;
- networking skills;
- self-reliance skills;
- learning-how-to-learn skills;
- problem-solving skills;
- skills for accessing and using guidance.

The main differences are in the areas of *knowledge* and *understanding*.

Schools

The development of such skills, knowledge and understanding is a key task for schools. Many schools have now developed programmes of career education and of personal finance education. Under the Education Act 1997, schools are required to provide career education to all pupils in years 9-11 (ages 13-16). No similar requirement exists in relation to personal finance education, but a number of projects have been set up to support schools in setting up such programmes (e.g. by the Personal Finance Education Group). Both areas are currently being reviewed in England and Wales as part of the review of the National Curriculum; parallel discussions are taking place in Northern Ireland and Scotland.

Frameworks have been developed both for career education and for personal finance education. An important issue is:

- whether such frameworks (and others relating to health education etc.) should be subsumed within an overarching framework of "education for living", in which the boundaries between them would disappear;
- *or* whether the boundaries between them should be maintained but "cross-overs" between them should be explored.

Conceptual frameworks are of limited value without:

- *Teacher support*. Both career education and personal finance education pose difficulties for teachers, many of whom feel ill-equipped in these areas.
- *Pupil motivation*. Both areas are at risk of being regarded by pupils as "boring" – remote from their current preoccupations.

Both areas also share the difficulty of struggling against the "tyranny of subjects" and the dominance within schools of accountability in terms of "standards" (attainment targets, examination passes) rather than "relevance".

This means that there are common challenges for:

- Teacher training, developing teachers' capacity to manage learning in these areas.
- Making available external resources on which teachers can draw.
- Imaginative and creative materials.

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Adult education

There is a strong argument for continued career education and personal finance education post-school. Many adults have not had access to such programmes when in school. Moreover, schools can only lay the foundations: the skills and competences need further development, and such development is often best fostered when it can be related to immediate circumstances.

Current adult education provision is patchy: in the financial area, for example, it ranges from courses in investment management to courses in welfare rights. Some of the stronger examples are pre-retirement courses, where money-management issues are incorporated into wider aspects of life-style planning. Expansion of such provision is urgent.

Personal guidance

In addition to educational provision, individuals need access to personal guidance related to their particular situations. Current guidance provision in both fields is very diverse:

- *Career guidance* services (broadly defined) include local careers service organisations, careers and guidance services in further and higher education, the Employment Service, career development provision within work organisations, community-based guidance provision, and private guidance agencies.
- *Financial guidance* services include some 25,000 independent financial advisers (concerned mainly with investment issues), plus a range of money advice services (concerned mainly with money-management and debt-management issues) – the latter include student welfare services in further and higher education, and various services in local-authority organisations (especially housing) and the voluntary sector (e.g. Citizens' Advice Bureaux, independent advice agencies, national charities).

The two fields share a number of common issues:

- Both are *under-developed*, with inadequate provision of services in relation to potential demand.
- In both cases, much provision is *crisis-oriented* rather than developmental in nature.
- In both cases, there are concerns about how the diversity of provision necessary to respond to a wide range of individual needs can be reconciled with coherent standards regarding *accredited competence* (which for those giving investment advice includes authorisation).
- Both have concerns about organisational *quality standards*, particularly relating to impartiality – transparency regarding which is crucial if clients are to trust the advice they are given.

Impartiality

The 1986 Financial Services Act's "polarisation" regulation means that sellers of investment products are required to be *either* company representatives or tied agents, who can sell the products of one provider only; *or* independent financial advisers (IFAs), who can make recommendations from the full range of products. IFAs, however, often gain some of their income from commission on sales, and this may be perceived to influence the advice they give.

A parallel situation exists in relation to career guidance. The pre-entry guidance given by colleges, for example, is sometimes constrained by the financial benefits of recruiting students. The quality standards being developed by the National Advisory Council for Careers and Educational Guidance are designed to make any such partiality transparent to the user.

Both fields also confront questions about *who should pay* – the extent to which services should be financed by the state, by the individual, or by third-party beneficiaries (employers etc.). Much public and voluntary provision tends to be targeted at the unemployed, while private-sector provision tends to be targeted at the relatively wealthy. Low- and middle-income groups tend to fall between the two. A key policy issue is whether publicly-funded provision should be extended to cover the low- and middle-income groups, or whether their needs should be met through the market.

In both fields, it seems that at present some middle-income individuals are prepared to pay for guidance, but only at subsidised rates. Such subsidy might take the form of funding services not only from individual fees but also:

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- from direct commission fees from third-party beneficiaries (placements in the case of career guidance, investment-product sales in the case of financial guidance) – this could, however, compromise impartiality (see above);
- *or* from generic contributions from the state and/or third-party beneficiaries, possibly channelled through Individual Learning Accounts.

Individual Learning Accounts

Individual Learning Accounts (ILAs) are based on two key principles:

- that individuals are best placed to choose what and how they want to learn,
- that the responsibility for investment in learning should be shared (in varying combinations) between individuals, employers and the state.

The Government's present commitment is to launch a million ILAs (with a private contribution of £25 triggering a public contribution of £150) and to develop a national framework. In the longer term, most or all public funding for post-compulsory education/training could be routed via ILAs.

Access to high-quality guidance is particularly critical if employers and the state are to be prepared to invest in accounts which individuals control. Such guidance needs to include elements of:

- career guidance, to clarify the individual's career goals and the career benefits of choosing particular learning options;
- financial guidance, to clarify the returns from spending on learning as opposed to returns on savings.

These could be provided separately, or jointly. If separately, career guidance services will need to confront the issue of how they respond to questions about yields from investment in ILAs:

- If they offer informed opinion, could this
  - come within the terms of the Financial Services Act?
  - lead to the need for a complaints system to protect the consumer?
- If they offer referrals, to whom do they refer? Are IFAs likely to promote ILAs as against other financial products if they receive no commission on them?

The attitude of financial advisers to ILAs could be critical to their success. Current government policy favours investment in Individual Savings Accounts and Stakeholder Pensions. Lifelong learning is however viewed as the route to sustained/higher earnings throughout life. Financial advisers need therefore to view ILAs today as increasing the value of ISAs and SPs tomorrow.

It is also possible that, in the longer term, payment for career/financial guidance could itself be channelled through ILAs, including contributions from individuals and/or employers and/or the state. This might provide a means of making such guidance more widely available to all, including middle-income groups (who would pay a fee, but at a subsidised rate).

Linked delivery?

There is a growing case for bringing career guidance and financial guidance provision closer together. Such provision might include:

- Access to information and generic advice through the Internet. This might cover basic information, diagnosis of need, and signposting to relevant guidance services where these needs might be met.
- One-stop shops offering information and generic advice. These might be based in high-street locations, with satellites and other outreach activities in local communities.
- A wide range of guidance services to which referral could be made from the above.

Within such a range, career guidance and financial provision might be:

- *parallel* – with appropriate links;
- *overlapping* – e.g. with career guidance services offering some limited financial guidance, and vice-versa;
- *integrated* – with fully merged services.

This could lead to needs for joint or reciprocal training and accreditation.

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RECOMMENDATIONS

Awareness raising

Recommendation 1. That steps need to be taken to promote the importance of developing and fostering personal capability (including career management and financial management) among the public at large. There may be valuable lessons to be learned here from health promotion and self-help strategies.

Recommendation 2. That relevant organisations (Association of Graduate Careers Advisory Services, National Association of Careers and Guidance Teachers, National Association for Educational Guidance for Adults, Institute of Careers Guidance, Institute of Financial Planning, IFA Association, Money Advice Association, Money Advice Trust, National Association of Citizens Advice Bureaux, etc.) should be encouraged to include articles in journals and newsletters on the relationship between career and financial guidance, drawing upon the present report, with follow-up articles by someone from "the other side"; and also to attend in forthcoming conference planning to including workshops on, for example, "The Role of Career/Financial Guidance in Holistic Financial/Career Planning".

Joint delivery

Recommendation 3. That at school level, attention should be paid to the interface between career education and personal finance education in current and forthcoming curriculum reviews, and to identifying and disseminating good practice which cross-cuts the two areas.

Recommendation 4. That pilot projects be set up (possibly with ESF Objective 4 funding) to provide a combination of learning/work/career and financial guidance in multi-agency drop-in centres. The centres should explore the scope for offering group learning sessions on topics of shared interest. They should be staffed by highly-skilled generalist staff, who should be salaried; these should provide a first point of contact, with specialist back-up from a range of agencies. "Top-up" training should be provided for the staff, to train career guidance staff in financial guidance, and financial guidance staff in career guidance. Market research should be conducted to identify an appropriate name; outreach activities should be set up in a range of settings to attract a broad range of clients. The projects should run for 3-5 years on a well-resourced basis and should be carefully evaluated to assess their potential for widespread implementation.

Recommendation 5. That as local Information, Advice and Guidance Partnerships develop, financial guidance should be considered within their partnership structures.

Recommendation 6. That the current report should be made available to all lead organisations in local Information, Advice and Guidance Partnerships, to encourage them to pay attention to links with financial guidance in their strategy development.

Recommendation 7. That at local level, relevant TEC/LEC developments (e.g. ILAs) should be used as an opportunity to draw up lists of independent financial advisers who could help in fostering "mutual awareness".

Recommendation 8. That a pre-entry, interactive tool be developed to provide "learning health checks". The tool would be designed to encourage individuals to think about possibilities for learning and how to plan for it, including related financial issues. Its development should be linked to other initiatives related to promotion of learning (e.g. ILAs, New Deal, Campaign for Learning, broadcasting initiatives).

Joint/reciprocal training and quality standards

Recommendation 9. That a detailed training and resource pack be developed on the relationship between career and financial guidance, to provide a basis for joint/reciprocal training, particularly for front-line staff working direct with the public.

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Recommendation 10. That training should be provided to career guidance and financial guidance professionals to explain how post-16 learning will henceforth be funded, the principle of co-financing, and the actual working of ILAs – including the relationship between money for learning from savings, from borrowing, and from co-financing packages.

Recommendation 11. That a pilot project be conducted under which trainee independent financial advisers could spend a few hours per month in a Citizens' Advice Bureau or similar organisation. This would be good public relations, would extend their experience, and might develop possibilities for occasional referrals.

Recommendation 12. That the National Advisory Council for Careers and Educational Guidance should discuss with relevant financial guidance bodies whether there should be a closer relationship between the two fields in terms of quality standards and kitemarking procedures. Attention should also be paid within these discussions to occupational standards in the two fields.

Policy issues

Recommendation 13. That relevant government departments (including the Treasury, the Department for Education and Employment, the Department for Social Security, the Department of Trade and Industry, and parallel departments in Northern Ireland, Scotland and Wales) should set up an enquiry to identify: ways of addressing the relationship between individuals' career guidance and financial guidance needs, and particularly those of low- and middle-income groups (up to £25,000); the roles of employers, trade unions, community services and the public and private sectors in meeting these needs; and ways of expanding the recruitment, training and development of staff in the career guidance and financial guidance fields in order to meet the potential demand for their services (for example, the 25,000 current IFAs probably have around 200 clients each, which means that only 5m out of the 27m working population currently use their services).

Recommendation 14. That the Department for Education and Employment (and parallel government departments in Northern Ireland, Scotland and Wales) should work with the Department for Social Security, the Financial Services Authority, local authorities, Citizens' Advice Bureaux and financial institutions to prepare a Finance and Learning Map which would cover (a) financial planning through life, (b) planning of learning through life and (c) funding of learning through life.

Recommendation 15. That joint planning is needed between DfEE (and parallel government departments in Northern Ireland, Scotland and Wales) and the Financial Services Authority on giving consumer advice to the individuals to whom the initial one million Individual Learning Accounts will be offered. These discussions should include the subsequent substainability of such provision.

Recommendation 16. That joint planning is needed between DfEE (and parallel government departments in Northern Ireland, Scotland and Wales) and the Financial Services Authority on the extent to which financial institutions delivering Individual Learning Account products need to be subject to FSA regulation.

Research

Recommendation 17. That the Department for Education and Employment should fund a thorough review of available research evidence on the economic value of investment in learning as opposed to other forms of personal investment, and also of different learning opportunities, with the results being pulled together in a form which enables them to be readily used by both careers advisers and financial advisers.

Recommendation 18. That the Financial Services Authority, the National Advisory Council for Careers and Educational Guidance and DfEE should explore possibilities for collaborative research on consumer needs in relation to career planning and financial planning, to ensure that development of provision is grounded in individual needs.

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